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OCI No. 2924/65

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
10 December 1965

INTELLIGENCE MEMORANDUM

The Situation in Guatemala

1. The Guatemalan government is facing crisis on several fronts. A worsening economic problem, destructive political maneuvering attending the election campaign, and increasing public disorder have left the Peralta regime seriously deprived of support and national confidence. Unless dramatic measures are taken quickly the regime's ability to withstand the combination of poor finances, terrorism, and conspiracy is doubtful.

2. Businessmen and financiers, already concerned by Guatemala's worsening foreign exchange deficit and a commodity scandal which has reflected on the integrity of prominent members of the administration, have begun to doubt the regime's ability to cope with terrorists. The latter three times in recent weeks have abducted members of prominent Guatemala City families for ransom. To date, \$180,000 in ransom has been paid fur-
tively and in the face of police protests. Inept police investigations have been hampered by the refusal of the families of the kidnap victims to cooperate in any investigation or apprehension of the criminals.

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7. There is also a danger that non-military factions--particularly those on the left-- will at some point be willing to engage in civil dissidence to forward their own objectives. This possibility of violence might be reduced in the unlikely event that the regime made a convincing exhibition of its willingness to permit honest competition, such as inviting OAS observers on election day. The ouster of Peralta by a group which does not endorse the established schedule for a return to constitutional government would almost surely precipitate political violence.

8. Finally, recent terrorism has raised the specter of continued instability to be faced by any type of government foreseeable for Guatemala over the next few years.

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Not only has violent subversion increased of late, in the face of strong security measures, but kidnappings and extortion have channeled large amounts of money into coffers of the insurgents (Yon Sosa's group and the Communists). Further increased capability on the part of these extremists spells continuing and intensified trouble for anyone at the palace in Guatemala City.

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THE SITUATION IN GUATEMALA

DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

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[] DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: []
AUTH: HR 70-2
DATE: []

REVIEWER: []

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